

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 03 TEGUCIGALPA 002276

SIPDIS

STATE FOR EB/TPP/ABT:EHEARTNEY, WHA/CEN AND WHA/EPSC
COMMERCE FOR ITA/OTEXA/MD'ANDREA
STATE PLEASE PASS USTR
DOL FOR ILAB

E.O. 12958: N/A

TAGS: [KTEX](#) [ECON](#) [ETRD](#) [ELAB](#) [BEXP](#) [HO](#)

SUBJECT: Honduras: Textile and Apparel Statistics; Both
Employment and Fear of China Growing

REF: State 184238

1. Post provides the following information in response to
reftel.

The Limits of the Statistics

2. The two primary sources of information on the Honduran
textile and apparel sector are the Central Bank, which
collects statistics on the entire economy, and the Honduran
Manufacturers' Association (AHM), which collects statistics
on the maquila sector only. Unfortunately, neither of these
institutions collects its information in sufficient detail
to allow the separation of textile and apparel statistics
from other maquila sector or manufacturing statistics.

3. The only breakdown of the maquila sector available is
that provided below, in which the Central Bank counts all
"maquila businesses" as belonging to one of four categories:

| Category | # of Companies | Percent |
|---------------------|----------------|---------|
| ----- | ----- | ----- |
| Textile Industry | 162 | 59.3% |
| Suppliers | 46 | 16.9% |
| Services to | | |
| Other Businesses | 17 | 6.2% |
| Other Manufacturing | | |
| Activities | 48 | 17.6% |
| TOTAL | 273 | 100.0% |

4. From this breakdown, it is clear that the majority of
maquila sector activity in Honduras is related to textile
and apparel production: nearly 60 percent of businesses are
directly involved, and presumably a similar share of
suppliers and service companies are as well. However, there
is still no way to translate this headcount of companies
into an accurate accounting of the textile and apparel
industry per se when it comes to production, value added, or
employment. As a result, it is not possible to provide
precise responses to many of the specific questions posed in
paragraphs 5 and 6 of reftel. Where the specific
information requested is not available, we have provided
below the closest information possible, with an explanation
of exactly what is being measured.

Responses to Questions

5. Total industrial production in USD value:

-- 1.27 billion in 2003, according to the Central Bank.

6. Total textiles and apparel production in USD value:

-- Not available, as such. According to the Central Bank,
the value added by the maquila sector in 2003 was USD 705
million, or 56 percent of the country's total industrial
production. However, the Central Bank considers the maquila
sector as a service industry (in which value is added to
imported materials for re-export) and not as a group of
manufacturing industries. It therefore provides annual
figures for "value added by the maquila sector", but does
not disaggregate textile and apparel production from other
maquila activities.

-- The AHM also provides an annual figure for value added by
the maquila sector, which uses a different methodology than
the Central Bank, and as a result is almost always higher
than the Central Bank's figure. Post regards the Central
Bank figure to be the more reliable of the two, as it
follows standard international practices for collecting
national accounts. However, the AHM's figures are more
frequently quoted in the Honduran press, and even, at times,
used in official GOH publications. For sake of comparison,
below are the two series of estimates for the last ten
years.

Value Added by Maquila Sector, USD million

| Year | According to Central Bank | According to AHM (Honduran Manufacturers' Association) |
|------|------------------------------|---|
| 1994 | 125 | 186 |
| 1995 | 163 | 242 |
| 1996 | 204 | 284 |
| 1997 | 313 | 390 |
| 1998 | 455 | 455 |
| 1999 | 539 | 552 |
| 2000 | 575 | 662 |
| 2001 | 561 | 716 |
| 2002 | 613 | 819 |
| 2003 | 705 | 881 |

17. Textiles and apparel's share of the host country's imports and exports:

-- The closest approximation available is the value added of the entire maquila sector as a share of imports and exports of goods and services. In the statistics below, maquila value added is itself included as a service export, and maquila-related imports are excluded from import figures.

| in USD million | 2001 | 2002 | 2003 |
|---------------------|-------|-------|-------|
| ----- | ---- | ---- | ---- |
| Maquila Value Added | 561 | 613 | 705 |
| Imports | 3,742 | 3,758 | 4,061 |
| Exports | 2,511 | 2,571 | 2,711 |
| Maquila/(Im + Ex) | 9.0% | 9.7% | 10.4% |

Source: Central Bank.

18. Total manufacturing employment; Total textiles and total apparel employment:

-- Total manufacturing employment was 337,317 in September 2002, and 381,160 in September 2003 was 385,506, according to the National Statistical Institute, which is the GOH agency with primary responsibility for collecting employment data. Data is collected by means of a household survey conducted in May and September of each year. However, employment data is broken down into only ten broad categories, with the textile and apparel sector included in the "manufacturing employment" number given above. Starting next year, INE plans to disaggregate its data further to include a figure for textile and apparel sector.

-- The Central Bank and the Honduran Manufacturers' Association each provide annual data for employment in the "maquila sector," defined as those companies which are incorporated under either the Industrial Processing Zones legislation or Free Zones legislation. For the reasons explained above, "maquila sector" employment statistics would overstate employment specific to the textile and apparel sector. Again, figures from the Central Bank and the AHM differ slightly, as follows.

Employment in "Maquila Sector"

| Year | According to Central Bank | According to AHM (Honduran Manufacturers' Association) |
|------|------------------------------|---|
| 2001 | 94,416 | 110,000 |
| 2002 | 105,556 | 107,000 |
| 2003 | 114,237 | 123,000 |

19. A brief description of the relative importance of textiles and apparel in overall production and employment:

-- In 2003, value added by the maquila sector accounted for 26% of Honduras' exports of goods and services (USD 705 million out of total exports worth USD 2,711 million). Long dependent on traditional exports, such as coffee and bananas, the Honduran economy now earns more than twice as much from the maquila sector as it does from coffee and bananas combined. As explained above, most maquila activity is in the textile and apparel sector, though there have been some maquilas established recently which are engaged in other activities: for example, assembly of wire harnesses for automobiles, other automotive parts, or electrical components. While the hope is that the sector will continue to diversify into other forms of light manufacturing, textile and apparel production still dominate. Within the textile and apparel sector, the move is increasingly toward a full-package model in which businesses import thread from the United States and then export a finished product ready for market, taking care of the knitting, dyeing, cutting, assembly, and printing processes in country.

10. How frequently does the industry or government collect and report textile and apparel employment data, i.e., monthly, quarterly, annually?

-- The National Statistical Institute (INE) collects and publishes national employment data twice a year. The AHM collects data for the maquila sector only and publishes it annually. Neither group collects information on employment in the textile and apparel sector specifically.

11. If monthly employment is unavailable, what is Post's assessment of the institutional capacity of the host country to collect such data:

-- INE could not move to monthly collection of employment data without a complete restructuring of their current system for administering national household surveys. The AHM, which gathers its data by means of an annual survey, could move to monthly data collection, but at the moment has no plans to do so.

12. Comment: Despite the strength and continued growth of the Honduran textile and apparel sector in recent years, producers here, whether Honduran or American, view the expiration of worldwide quotas as a serious threat to the viability of the industry. One American maquila-owner recently reported to EconOff that he has already lost several of his regular customers to China, is having difficulty getting new orders, and does not know if he will be able to hold on until early 2005 when, it is hoped, the more flexible sourcing rules of CAFTA-DR come to the rescue. Meanwhile, with a nervous eye on Asian competition, especially the lower labor costs and higher volumes that China will soon bring to the world market, textile and apparel producers in Honduras see speed-to-market and responsiveness, especially for more complicated orders requiring printing or other specialized work, as key to sustained future competitiveness. End comment.

Pierce